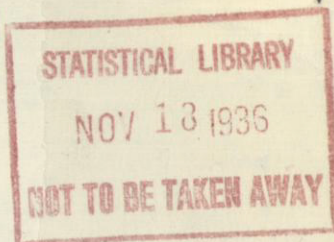


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CORPORATION FILE



Financial Report
OF
GEO. A. HORMEL & COMPANY
AUSTIN, MINNESOTA
for the
Fiscal Year Ended October 31, 1936

OFFICERS

Geo. A. Hormel	- - - - -	Chairman of the Board
Jay C. Hormel	- - - - -	President
Ben F. Hormel	- - - - -	Senior Vice President
John G. Hormel	- - - - -	Secretary
M. F. Dugan	- - - - -	Treasurer

Vice Presidents

H. H. Corey	R. H. Daigneau	E. N. Sturman
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DIRECTORS

S. D. Catherwood		
H. H. Corey		
A. A. Dacey		
R. H. Daigneau		
Park Dougherty		
Ben F. Hormel		M. F. Dugan
Geo. A. Hormel		
Jay C. Hormel		
O. W. O'Berg		
E. N. Sturman		
L. E. Wakefield		

Austin, Minn.,
Nov. 17, 1936

To the Stockholders of
Geo. A. Hormel & Company

The earnings statement and balance sheet of your company for the year ended October 31, 1936, is submitted herewith.

The volume of our business has continued to grow during the past year. Total sales amounted to 390,583,879 pounds, an increase of 49,996,183 pounds, or 14.6 per cent over the highest previous year (1934).

The volume of hog slaughter is still about 12½ per cent below the normal average for this company. As the hog population is rehabilitated, it is expected that pork business to the extent of about 25,000,000 pounds will be regained. Increases in volume during the past two years have been in the beef and canning divisions.

Although pork prices in particular have been substantially lower than a year ago, the increased tonnage has made the dollar sales the highest in the company's history. Net dollar sales this past year amounted to \$55,806,820.71, which is an increase of \$8,165,487.24, or 17.1 per cent, over a year ago.

The company is continuing to price its inventories at the lower of cost or market, as has been its custom in the past. All known bad debts have been charged off in full. Loss on capital assets scrapped or disposed of has been charged off in full. \$280,119 has been charged off for depreciation on plant and equipment. The balance sheet carries substantial reserves for other contingencies. All taxes have been provided for, including the assessment for the ten months of 1936 for unemployment insurance. During the year the company acquired the remainder of its outstanding 7% preferred stock.

The net worth of the company now stands at \$9,490,013.23, which is an increase of \$203,575.21 over a year ago. In order that no part of the invalidated processing tax should show as net current assets or as income until all legal questions with respect to the entire amount have been removed, we have set up and included among current liabilities a reserve in the full amount of invalidated processing taxes less credits due

for floor taxes and other claims such as export drawbacks, exemptions on account of sales to charitable institutions, etc. This leaves net current assets at \$4,375,702.05, which is an increase of \$212,888.20 over a year ago.

In the past year the company brought out a number of new products in its canned goods line. These include four new soups, spiced ham and spiced luncheon meat in new 12 oz. cans, beef stew, spaghetti and meat balls, and corned beef hash. These last three items are being sold under the red, white and blue label of the Dinty Moore Products Company. In order more rapidly to gain wide distribution for all these new products and for chili con carne, the company has spent more in advertising than in any year since 1931. Although it is hoped that a continuing benefit will be gained therefrom, the entire amount has been charged to expense.

With respect to wages, the management of the company has advocated the principle that true economic balance and the greatest prosperity can be enjoyed when wage rates are so in balance that one hour of work in one industry will buy the goods or the service which an hour of work produces in other industries. Although in times past wages in the packing industry have customarily been somewhat lower than in many manufacturing industries, your officers have joined with certain others in the packing industry to encourage a series of wage increases which, counting a 7 per cent increase on November 2, places the average wage of packing house workers in line with the average of the workers in the leading manufacturing industries.

Using the latest average (September) figures of the National Industrial Conference Board covering the wages of twenty-five major industries, and applying the 7 per cent November raise to the figures for packers, we find the average earnings per worker in all industries \$25.12 per week, the average for all packers \$25.21 per week, and the average for Geo. A. Hormel & Company \$25.34 per week. Since these figures were published, wage increases have been made in certain other industries. How much these increases will affect the general average we do not know but according to the latest available information, this company is maintaining a wage position somewhat higher than the packing industry as a whole, and generally in line with the average of all industries.

The adoption of the straight time program which permits the employee to receive a fixed pay check each and every week, working shorter hours when work is slack and making it up by working longer hours when work is plentiful, has not tended to increase weekly earnings of Hormel employees, because in most cases weekly pay checks have been calculated on a 40 hour basis. On the other hand, for the first nine months this year the average number of hours worked by all packers has been 41.3 per week. In the month of September the Conference Board figures show that the average number of hours worked per week by all packers was 41.9.

Dividing the September earnings giving effect to the 7 per cent raise

—\$25.21—by the average hours—41.9—we find that the average hourly rate in the packing industry is now approximately 60.2c per hour. Dividing the Hormel September average plus the 7 per cent increase by 40 hours, we find that the average hourly rate in the Hormel plant is 63.3c. This compares with 61.9c shown by the National Industrial Conference Board for all industries for September, and is about 5 per cent in excess of the average hourly rate for all packers. It will be recalled that this is the same relationship which was shown in the hearing before the Minnesota Industrial Commission in 1933. The company has held its relative position, paying about 5 per cent higher wages than the average of its competitors.

One feature of the straight time plan which is of particular interest is that since the worker is not compensated by the hour but is paid by the week, and is free to go home when his work is done, much leisure time has been gained by the worker. For the first nine months of the calendar year of 1936 the average number of hours worked in the packing industry was 41.3, whereas the average number of hours worked in the Hormel plant was 37.

Because approximately the same amount of money per week was earned in 4.3 hours less per week, the average hourly earnings in our plant are actually 10 per cent higher than the average for the packing industry.

The management realizes that the maintenance of its leadership in wages paid, as well as this new 7 per cent wage increase started November 2, is an additional and material burden on the cost of operation in the forthcoming year, and accordingly is bending every effort to the elimination of waste, the improvement of product, the extension of sales, and, in general, the better conduct of the business, so that the additional income may be earned in order to preserve and safeguard the investment and income of the stockholders.

JAY C. HORMEL
President

CONSOLIDATED

Geo. A. Hormel & Company, - A

October 3

ASSETS

CURRENT

Cash ----- \$ 585,316.44

Accounts receivable:

Customers' accounts ----- \$2,319,103.64

Sundry current accounts ----- 8,878.27

\$2,327,981.91

Less allowance for doubtful ----- 100,000.00 2,227,981.91

Inventories:

Products, materials and supplies
on hand, on consignment and in
transit valued on the basis of the
lower of cost or market -----

4,179,284.19 \$ 6,992,582.54

OTHER ASSETS

Properties not used in operations—
at cost ----- \$ 101,158.19

Less allowance for depreciation ----- 8,134.81 \$ 93,023.38

Sundry securities ----- \$ 69,201.94

Sundry notes, accounts, deposits, etc. ----- 38,842.76

\$ 108,044.70

Less allowance for doubtful ----- 67,400.00 40,644.70

Employees' notes, accounts and ad-
vances -----

24,363.91

Contracts for sale of real estate -----

17,144.33

Employees' stock purchase notes -----

6,527.05

Loans to markets—secured by chattel
mortgages -----

4,293.93

Officers' accounts -----

159.83

186,157.13

PERMANENT—at cost

Land ----- \$ 149,704.45

Buildings, machinery & equipment ----- \$6,839,985.41

Less allowance for depreciation ----- 1,838,439.45 5,001,545.96

5,151,250.41

PREPAID

Plant supplies ----- \$ 63,899.40

Unexpired insurance premiums and
sundry prepaid expenses -----

59,509.53

123,408.93

\$12,453,399.01

BALANCE SHEET

Austin, Minnesota, and Subsidiaries

1, 1936

LIABILITIES

CURRENT

Notes payable-----	\$ 300,000.00	
Accounts payable-----	555,977.76	
Dividends—payable November 16, 1936-----	140,421.00	
Accrued taxes, etc.-----	173,283.40	
Provision for income taxes—estimated-----	275,570.79	\$1,445,252.95
Reserve for undetermined liabilities in connection with invalidation of processing taxes-----		1,171,627.54

\$2,616,880.49

RESERVES

For contingencies-----	331,752.52
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MINORITY STOCKHOLDERS' EQUITY

IN CAPITAL STOCK OF SUBSIDIARY-----	14,752.77
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CAPITAL STOCK AND SURPLUS

Preferred stock—par value \$100

Authorized 50,000 shares—cumulative

	<u>Class A - 6%</u>	<u>Class B - 7%</u>
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Issued -----	\$1,455,400.00	\$106,500.00
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In treasury -----	10,000.00	106,500.00
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Outstanding ---	\$1,445,400.00	—0—	\$1,445,400.00
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Common Stock—no par value

Authorized -- 500,000 shares

Issued -----	493,944 shares	\$6,116,585.81
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In treasury ---	18,954 shares	234,707.38
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Outstanding -	474,990 shares	5,881,878.43
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Surplus (Restricted to the extent of \$351,207.38

on account of capital stock in treasury) -----	2,162,734.80	9,490,013.23
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Contingent liabilities reported \$87,190.38

\$12,453,399.01

SUMMARY OF INCOME AND SURPLUS

Geo. A. Hormel & Company - Austin, Minnesota and Subsidiaries

Fifty-three Weeks Ended October 31, 1936

Net Sales			\$55,806,820.71
Deduct:			
Cost of goods sold, selling, administrative and general expenses	\$54,357,458.62		
Provision for depreciation	280,119.00		
Other charges:			
Interest	\$ 30,431.07		
Sundry	87,583.31		
	<u>\$118,014.38</u>		
Less sundry income	49,310.58	68,703.80	\$54,706,281.42
			<u>\$ 1,100,539.29</u>
Add portion of subsidiary company loss ap- plicable to minority interest			2,530.39
			<u>\$ 1,103,069.68</u>
Provision for income taxes—estimated:			
Current period	\$ 227,985.85		
Prior periods	28,372.84		256,358.69
			<u>\$ 846,710.99</u>
	NET INCOME		<u>87,632.48</u>
Dividends on preferred stock			
			<u>\$ 759,078.51</u>
Dividends on Common stock			475,065.00
			<u>\$ 284,013.51</u>
	BALANCE OF NET INCOME TO SURPLUS		<u>1,878,721.29</u>
Surplus—October 26, 1935			
Surplus — October 31, 1936 (Restricted to the extent of \$351,207.38 on account of capital stock in treasury)			<u>\$ 2,162,734.80</u>

ERNST & ERNST
ACCOUNTANTS AND AUDITORS
SYSTEM SERVICE

Geo. A. Hormel & Company
Austin, Minnesota

We have made an examination of the consolidated balance sheet of Geo. A. Hormel & Company and its subsidiaries as at October 31, 1936, and of the consolidated statements of income and surplus for the fifty-three weeks ended at that date. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence, and obtained information and explanation from officers and employees of the companies. We also made a review of the accounting methods and of the operating and income accounts for the period, but we did not make a detailed audit of the transactions.

Net current assets of the Mexican subsidiary have been adjusted to the current rate of exchange. Depreciation has been provided in accordance with rates previously established by the companies, such rates generally being in excess of those now being allowed for income tax deductions.

The amount of invalidated processing taxes accrued, less adjustments for floor taxes, export drawbacks, etc., has been credited to a reserve for undetermined liabilities which may arise in connection with such invalidation, pending final determination of the status thereof.

In our opinion, based upon our examination, the accompanying balance sheet and related statements of income and surplus fairly present the consolidated position of the company and its subsidiaries at October 31, 1936, and the consolidated results from operations for the period ended at that date. Further, it is our opinion that the statements have been prepared in accordance with accepted accounting principles and on a basis consistent with the preceding year.

ERNST & ERNST

(SEAL)

Minneapolis, Minnesota
November 14, 1936

SINCE no advertising equals the spoken word of an enthusiastic user, every stockholder is urged to become acquainted with all the products of the Company, to discover their convenience and the goodness of them, and to recommend them to their friends. The following is a partial list of Hormel products which may be identified by brand in your food store:

HORMEL BRANDED BEEF

Hormel Best
Hormel circle

Hormel Merit
Hormel triangle

Hormel Value
Hormel square

HORMEL BRANDED LAMB

Hormel Best
Hormel circle

Hormel Merit
Hormel triangle

Hormel Value
Hormel square

HORMEL HAM

Dairy Brand Ham

Minnesota Ham

Dairy Brand Cooked Ham

Dairy Brand Ham

Dairy Brand Baked Ham
Delicatessen Style

FLAVOR-SEALED HAM (Cooked In The Can)

Whole Ham

Half Ham

Quarter Ham

No bone, no skin, no surplus fat. Ready to serve cold. Ideal for baking and frying.

HORMEL BACON

Dairy Brand Bacon

Minnesota Bacon

Canadian Style Bacon

Sliced in cellophane packages, or by the piece.

Dairy Brand Sliced Bacon
In the red and yellow labeled
cellophane package.

Dairy Brand Sliced Bacon
In the green carton. This is
the most carefully selected and
choicest of all bacon. Costs
more. Worth it.

Minnesota Sliced Bacon
In the red and yellow labeled
cellophane package

LARD IS STILL THE BEST SHORTENING

Dairy Brand Lard
Finest open kettle rendered.

Hormel (Minnesota) Lard
In the famous red and yellow carton.

HORMEL SPECIALTIES

Minnesota Sliced Dried Beef
4 oz. cellophane package

Hormel Pigs Feet—In Glass
Quarts, Pints, Half Pints

Hormel Spiced Ham

A ready to serve meat which may be fried or baked. The perfect meat for lunches, picnics,
sandwiches or canapes, and may be prepared in many different ways.

In handy 12 oz. can which keeps on your pantry shelf.

Hormel Spiced Luncheon Meat

Hormel Chicken ala King
Choice Chicken with fresh mushrooms,
butter, cream and pimientos.

Hormel Boneless Chicken
Made from finest milk fed chickens.
To slice or to cream. Delicious in salads.

Hormel Flavor Sealed Chicken
Young. Milk fed. U. S. government inspected and certified.
Ready to serve cold or to broil or fry quickly.

Flavor Sealed Corned Beef Hash
Finest corned beef and diced potatoes,
mildly seasoned.

Hormel Chili Con Carne
Choice chili beans, tender beef
and mild chili seasoning.
You'll like it.

Minnesota Fresh Country Style Sausage
The sausage that comes by the yard.
The most popular sausage we make.

Dairy Brand Link Sausage

Minnesota Pure Pork Sausage

Dairy Brand Wieners

Minnesota Smoked Country Style Sausage

Dairy Brand Frankfurters

Dairy Brand Braunschweiger

Minnesota Braunschweiger

Dairy Brand Veal Loaf

Dairy Brand Liver Cheese

Minnesota Luncheon Loaves

Dairy Brand Cervelat

Dairy Brand Salami

Dairy Brand Goteborg

HORMEL FLAVOR-SEALED SOUP

Hormel Vegetable Soup
Rich beef stock with fifteen
garden vegetables.

Hormel Onion Soup
Tender onions, sliced and sauteed*
in butter; parmesan cheese,
rich beef stock.

Cream of Mushroom Soup
Choice mushrooms blended with
rich cream and butter.

Noodle Soup
Real egg noodles, tender chicken,
double strength chicken broth.

Cream of Tomato Soup
Rich sweet cream, butter,
puree of plump ripe tomatoes.

Vegetable Beef Soup
Tender pieces of beef, plenty of
vegetables and rich beef stock.

Tomato Bretonne (Bean Soup)
Ripe tomatoes, choice beans, enriched
with cream and butter.

Pea Soup
Pureed split peas, rich beef stock
and butter. Bacon flavored.

Chicken Broth
Rich chicken broth
with rice.

Consomme' Madrilene
Made from ripe tomatoes
and U. S. inspected chickens.

Clear Beef Jellyed Consomme'
Clear rich beef broth.

Clear Chicken Jellyed Consomme'
Rich chicken broth. Flavored just right.

Consomme's are delicious hot, jellyed, or for use in salads.

DINTY MOORE PRODUCTS

Dinty Moore Beef Stew
Beef with five vegetables.
Treats three, feasts two.

Dinty Moore Corned Beef and Cabbage
A real Dinty Moore dinner. Ready to serve.

Dinty Moore Spaghetti and Meat Balls
All beef meat balls, with tomato
sauce and spaghetti.

Dinty Moore Corned Beef Hash
Mildly cured corned beef and
diced potatoes.

